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RUEHBS/USEU BRUSSELS  
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SUBJECT: KAZAKHSTAN: ECONOMIC AND ENERGY UPDATE, OCTOBER 12-25

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**11. SUMMARY:** The information in this Kazakhstan economic and energy update is drawn primarily from the Kazakhstani press.

-- Deposit Insurance Increased  
-- EU-Kazakhstan WTO Talks: Update From Aitzhanova  
-- News From the Agricultural Sector  
-- Pipeline News  
-- K-WAC Ltd. To Design Facilities for Kashagan  
-- Samruk-Kazyna May Purchase Energy Assets in Europe  
-- New Oil Refinery in Aktobe  
-- Energy Statistics

DEPOSIT INSURANCE INCREASED

**12.** The Kazakhstani government has raised the ceiling for bank deposit insurance from 700,000 tenge (approximately \$5,833) per account to 5 million tenge (approximately \$41,666). According to "Khabar" television, 54% of accounts at Kazakhstani commercial banks hold deposits of less than 5 million tenge.

EU-KAZAKHSTAN WTO TALKS: UPDATE FROM AITZHANOVA

**13.** Kazakhstan's proposed export duty on minerals, energy transit, and financial services access are key outstanding issues in Kazakhstan's WTO accession talks with the European Union, the press reported on October 15. According to Vice Minister of Industry and Trade Zhannar Aitzhanova, the EU opposes introduction of the export duty. She also said that Kazakhstan is not yet ready to allow foreign banks and insurance companies to open branches in the country. Nevertheless, Aitzhanova believes that Kazakhstan's WTO entry talks are nearing completion. Kazakhstan has finalized

bilateral negotiations with 21 of 25 countries.

#### NEWS FROM THE AGRICULTURAL SECTOR

¶ 14. Agriculture Minister Kurishpayev is encouraging foreign investment in Kazakhstan's agricultural sector, Reuters reported on October 23. Kurishpayev said that Kazakhstan is positioned to meet booming agricultural demand in the region. According to official statistics, only 1.2 percent of the \$76 billion in total foreign investment in Kazakhstan since 1993 has been in the agriculture sector.

¶ 15. A quota on sugar imports initially introduced in March of this year has been extended to July 1, 2009. It had been set to expire on October 1.

¶ 16. According to the Tajik Chamber of Industry and Trade, Kazakhstan will resume wheat exports to Tajikistan. Kazakhstani grain companies are ready to supply wheat within the framework of agreements reached during Tajik President Emonali Rahmon's visit to Kazakhstan in May 2008.

#### PIPELINE NEWS

¶ 17. Nurtas Shmanov, Director General of KazTransOil, a KazMunayGas subsidiary, announced that the capacity of the Atyrau-Samara oil pipeline will be expanded to 17 million tons in 2009. Separately, Russian Energy Minister Sergey Shmatko said that Kazakhstan is seriously studying the possibility of transporting oil through the Eastern Siberia-Pacific Ocean pipeline. However, Kazakhstani Minister of Energy and Mineral Resources Sauat Mynbayev called this just "a hypothetical possibility," adding that actual oil volumes have not been discussed.

¶ 18. The "Interfax" wire service reported on October 13 that at a  
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meeting with Prime Minister Masimov, China National Petroleum Corporation (CNPC) Director General Wang Dongjin said that the construction of the Kazakhstan-China gas pipeline might be completed ahead of schedule.

#### K-WAC LTD. TO DESIGN FACILITIES FOR KASHAGAN

¶ 19. Agip KCO has chosen K-WAC Ltd., which is owned by Worley Parsons Europe Ltd (45%), CB&I UK Ltd. (25%), and Aker Engineering & Technology AS (30%), for front-end engineering and design services for Phase II of the Kashagan project.

#### SAMRUK-KAZYNA MAY PURCHASE ENERGY ASSETS IN EUROPE

¶ 10. The press reported on October 22 that the newly-established Samruk-Kazyna National Welfare is considering buying energy infrastructure assets in Europe as part of the implementation of the government's "Road to Europe" program.

#### NEW OIL REFINERY IN AKTOBE

¶ 11. According to an October 22 "Khabar" television report, AktobeMunayGas plans to build an oil refinery in Aktobe with an annual processing capacity of 8 million tons of crude.

#### ENERGY STATISTICS

¶ 12. According to the National Statistics Agency, from January to September, Kazakhstan produced 43.25 million tons of crude oil and 24.49 billion cubic meters (bcm) of natural gas, an increase of 5.4% and 10.7%, respectively, over the same period in 2007. From January to August, Kazakhstan exported 41.17 million tons of crude oil and gas condensate, valued at \$30.78 billion, which represented a 0.6% decrease in export volume, but (because of higher prices) a 78% increase in export value over the same period in 2007. From January to August, Kazakhstan exported 11.98 bcm of natural gas, valued at \$709.4 million -- which constituted a 16.6% increase in volume and a 60.1% increase in value over January to August 2007.

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